

TOP SECRET

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## SUMMARY

### GENERAL

- 25X1
1. Soviet diplomats say Korean troop withdrawal must be first on Geneva agenda (page 3).
  2. [REDACTED]
  3. Tito seen moving closer to West (page 4).
  4. Tito may offer nonaggression pact to Italy (page 5).

### SOVIET UNION

- 25X1
5. Soviet government may propose multilateral clearing plan for East-West trade (page 5).
  6. [REDACTED]

### SOUTHEAST ASIA

7. French assess military outlook in Indochina (page 8).
8. Cambodian defense minister says Viet Minh could take over in a week (page 8).

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GENERAL

1. Soviet diplomats say Korean troop withdrawal must be first on Geneva agenda: 25X1

25X1A

[REDACTED] Soviet diplomats told [REDACTED] officer in Washington on 21 April that the question of the withdrawal of forces from Korea must be first on the Geneva agenda and must be settled first. They said this would be in accord with the Panmunjom discussions on the agenda for the Korea political conference.

Comment: There is no reason to believe that the Communists will insist that the troop withdrawal issue be settled before the Indochina question is taken up. Communist spokesmen have repeatedly discounted the importance of the Korean phase and have indicated that their main effort will be aimed at the Indochina question.

Apart from any unification plan, the Communists may offer a formula for the withdrawal of foreign forces without including adequate enforcement provisions, such as inspection, in the hope of embarrassing the United Nations side. Such a proposal would also be designed to cause friction between the United States and the South Korean government, which insists on the withdrawal of Chinese Communist troops prior to unification and before the withdrawal of United Nations forces.

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2. [REDACTED]

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3. Tito seen moving closer to West:

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 Turkish foreign under secretary Birgi told Ambassador Warren on 22 April that Marshal Tito's talks with Turkish leaders from 12 through 15 April showed marked progress in the readjustment of Yugoslav ideas and attitudes toward the West and a willingness to go much further in collaboration.

Birgi said that Tito felt enough progress had been made in the Balkan Pact relationship to warrant transforming it into an alliance, and would propose during his 27 May visit to Greece that the three powers' foreign ministers meet in Belgrade in the latter half of June to formalize a military alliance. Tito did not feel that Greek and Turkish obligations to NATO constituted a real obstacle. Birgi stated that the Turks were in essential agreement on transforming the pact into an alliance.

- 4 -

25X1A

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Tito pointed out that he had no desire to join NATO, since it was more advantageous for Yugoslavia to remain outside, especially because of the effect of its "independence" on the Satellites. He believed that Yugoslavia's special situation could be adequately recognized in working out collaboration with NATO.

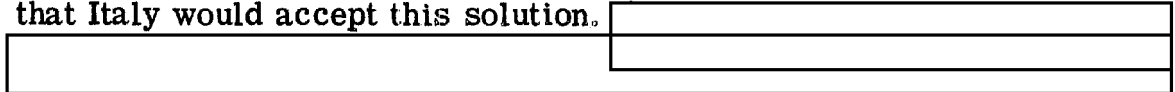
4. Tito may offer nonaggression pact to Italy:

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Marshal Tito is contemplating offering Italy a nonaggression pact, whether or not Rome desires to join the Balkan Pact, according to Turkish officials with whom he talked last week. Tito favors Italian adherence to the Balkan Pact, subject only to assurances against further irredentism and a readjustment of Italo-Yugoslav diplomatic and commercial relations after a Trieste settlement.

Tito expressed satisfaction with the London talks on Trieste, stating that agreement had practically been reached, with only a few secondary points left unsettled. He seemed confident that Italy would accept this solution.



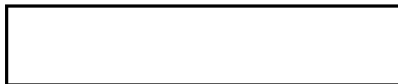
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Comment: Tito has alleged willingness, in various diplomatic conversations, to develop closer relations with Italy, but the attitudes expressed to the Turks appear more conciliatory than in the past.

SOVIET UNION

5. Soviet government may propose multilateral clearing plan for East-West trade:

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The Soviet Union has ordered negotiations for goods purchased through Western European middlemen to cease until after the Geneva

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conference, [redacted] This is said to have caused a "war scare" in Western trading circles.

- 5 -

25X1A

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the USSR has also been sounding out Western European reaction to a proposal to establish a multilateral clearing plan connected with the European Payments Union and may make such a proposal at Geneva.

Comment: No such "war scare" has been reported by any other source.

Reduction in the placing of Soviet orders through Western brokers would be a logical forerunner to direct East-West trade talks, under way in Geneva since March, and to the pending revision of trade controls. This relaxation will permit expansion of Soviet procurement directly from Western producing firms at more favorable prices.

In March, the Soviet delegate to the UN's ECE trade meeting called for negotiation on long-term multilateral trade agreements with Western countries, most of which have reacted negatively. The next step in the Soviet trade drive may well be a formal proposal for a clearing system which would make such trade arrangements practicable.

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6. [redacted]

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## SOUTHEAST ASIA

### 7. French assess military outlook in Indochina:

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If Dien Bien Phu falls, the prestige gained by the Viet Minh will enable it to reconstitute its combat forces without serious difficulty, according to a French appraisal given the

American embassy in Paris on 20 April. On the other hand, the French will have lost 15 of their best battalions, and suffered damage to the morale of the entire expeditionary corps. The psychological consequences would also compromise the development of the Vietnam army.

The French deduce from the increase of Chinese aid to the Viet Minh since last November that by next fall they will have to be prepared to face large Viet Minh units with organic artillery, perhaps better antiaircraft guns, and possibly air support.

The French believe that reinforcement of their expeditionary corps by the few battalions currently planned will not be sufficient to permit the Indochina command to carry out its mission. Air reinforcement will probably be necessary, not only to give maximum mobility but also to meet any air intervention.

### 8. Cambodian defense minister says Viet Minh could take over in a week:

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In a briefing for the American, British, Japanese and Thai representatives in Phnom Penh on 21 April, the Cambodian defense minister said the Viet Minh had increased

its pressure in all sectors and could, by a concerted effort, take over Cambodia in a week. He asserted that the deployment of three battalions

- 8 -

25X1A



to the northeast, at the suggestion of the French, had completely denuded the south and center of the country. The French were unable to provide any substantial assistance, and the defense minister asked for immediate material help from friendly powers.

Later, the acting French high commissioner assured the American chargé that the situation was less serious than the Cambodians described it. He believed the present Viet Minh threat could be met if the Cambodians had the will to fight.

Comment: In addition to the Viet Minh force of 1,600 which has moved into northeast Cambodia, there are about 1,000 other Viet Minh regulars and 6,500 irregulars in the country. French Union forces number about 35,000, over half of which are regulars.

The pessimistic tone taken by the defense minister may in part reflect the Cambodian conviction that the country must rely on other powers than France for survival.